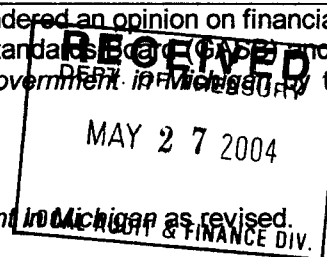


## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Tekonsha	<b>County</b> Calhoun
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> April 23, 2004	<b>Date Accountant Report Submitted to State:</b> April 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

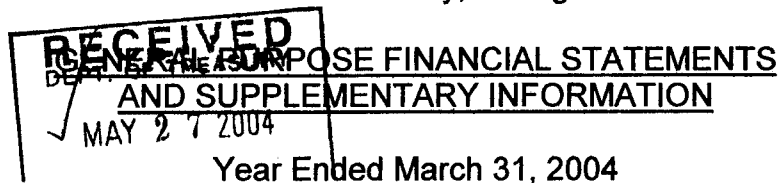
You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan



Year Ended March 31, 2004

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	5-6
Combined Statement of Revenues, Expenses and Changes in Fund Balance – Cemetery Perpetual Care Fund	D	7
Combined Statement of Cash Flows – Cemetery Perpetual Care Fund	E	8
Notes to Financial Statements		9-15
Supplementary Information:		
General Fund Expenditures by Detailed Account	F	16-17
Library Fund Statement of Revenues, Expenditures and Changes in Fund Balance	G	18
Combining Balance Sheet – All Trust and Agency Funds	H	19
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	I	20

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

April 23, 2004

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Tekonsha, Calhoun County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Tekonsha's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Tekonsha, Calhoun County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Tekonsha, Calhoun County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS  
March 31, 2004 EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
<u>Assets</u>			
Cash in bank	349 236 36	48 066 16	3 945 07
Taxes receivable	8 758 84	3 669 54	-
Land	-	-	-
Buildings	-	-	-
Machinery and equipment	-	-	-
Office furniture	-	-	-
Total Assets	<u>357 995 20</u>	<u>51 735 70</u>	<u>3 945 07</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	2 064 70	-	-
Due to other units	-	-	3 475 07
Total liabilities	<u>2 064 70</u>	<u>-</u>	<u>3 475 07</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for cemetery	-	-	470 00
Unreserved:			
Undesignated	355 930 50	51 735 70	-
Total fund equity	<u>355 930 50</u>	<u>51 735 70</u>	<u>470 00</u>
Total Liabilities and Fund Equity	<u>357 995 20</u>	<u>51 735 70</u>	<u>3 945 07</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> General Fixed Assets	<u>Total</u> (Memorandum Only)
-	401 247 59
-	12 428 38
11 933 00	11 933 00
101 371 48	101 371 48
306 255 03	306 255 03
<u>54 085 78</u>	<u>54 085 78</u>
<u>473 645 29</u>	<u>887 321 26</u>

-	2 064 70
-	<u>3 475 07</u>
-	<u>5 539 77</u>

473 645 29	473 645 29
-	470 00
-	<u>407 666 20</u>
<u>473 645 29</u>	<u>881 781 49</u>
<u>473 645 29</u>	<u>887 321 26</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	68 149 00	40 614 59	108 763 59
Licenses and permits	2 913 00	-	2 913 00
State revenue sharing	69 745 00	1 624 52	71 369 52
Charges for services:			
Property tax administration	12 175 48	-	12 175 48
Cemetery	15 799 75	-	15 799 75
Penal fines	-	6 796 44	6 796 44
Interest	3 788 22	292 01	4 080 23
Special assessments	785 48	-	785 48
Miscellaneous	<u>6 227 82</u>	<u>5 470 01</u>	<u>11 697 83</u>
Total revenues	<u>179 583 75</u>	<u>54 797 57</u>	<u>234 381 32</u>
Expenditures:			
Legislative:			
Township Board	24 187 92	-	24 187 92
General government:			
Supervisor	6 102 88	-	6 102 88
Elections	262 96	-	262 96
Assessor	13 080 04	-	13 080 04
Clerk	9 739 90	-	9 739 90
Board of Review	333 97	-	333 97
Treasurer	10 597 84	-	10 597 84
Building and grounds	4 881 47	-	4 881 47
Cemetery	20 210 86	-	20 210 86
Tax roll	1 286 35	-	1 286 35
Public safety:			
Fire protection	50 364 27	-	50 364 27
Planning and zoning	5 246 24	-	5 246 24
Protective inspection	504 00	-	504 00
Public works:			
Drains at large	2 849 37	-	2 849 37
Street lighting	778 71	-	778 71

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Expenditures: (continued)			
Culture and recreation:			
Library	-	50 409 52	50 409 52
Capital outlay	<u>1 986 84</u>	<u>1 580 83</u>	<u>3 567 67</u>
Total expenditures	<u>152 413 62</u>	<u>51 990 35</u>	<u>204 403 97</u>
Excess of revenues over expenditures	27 170 13	2 807 22	29 977 35
Fund balances, April 1	<u>328 760 37</u>	<u>48 928 48</u>	<u>377 688 85</u>
Fund Balances, March 31	<u><u>355 930 50</u></u>	<u><u>51 735 70</u></u>	<u><u>407 666 20</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	65 470 00	68 149 00	2 679 00
Licenses and permits	1 000 00	2 913 00	1 913 00
State revenue sharing	71 000 00	69 745 00	(1 255 00)
Charges for services:			
Property tax administration	12 237 00	12 175 48	(61 52)
Cemetery	5 000 00	15 799 75	10 799 75
Penal fines	-	-	-
Interest	4 000 00	3 788 22	(211 78)
Special assessments	400 00	785 48	385 48
Miscellaneous	19 950 00	6 227 82	(13 722 18)
Total revenues	179 057 00	179 583 75	526 75
Expenditures:			
Legislative:			
Township Board	23 839 00	24 187 92	348 92
General government:			
Supervisor	6 300 00	6 102 88	(197 12)
Elections	2 800 00	262 96	(2 537 04)
Assessor	14 200 00	13 080 04	(1 119 96)
Clerk	9 900 00	9 739 90	(160 10)
Board of Review	1 400 00	333 97	(1 066 03)
Treasurer	11 300 00	10 597 84	(702 16)
Building and grounds	8 500 00	4 881 47	(3 618 53)
Cemetery	17 400 00	20 210 86	2 810 86
Tax roll	3 000 00	1 286 35	(1 713 65)
Public safety:			
Fire protection	59 239 00	50 364 27	(8 874 73)
Planning and zoning	3 740 00	5 246 24	1 506 24
Protective inspection	-	504 00	504 00
Public works:			
Drains at large	1 300 00	2 849 37	1 549 37
Street lighting	800 00	778 71	(21 29)

The accompanying notes are an integral part of these financial statements.

Budget	Actual	Over (Under) Budget
35 000 00	40 614 59	5 614 59
-	-	-
1 565 00	1 624 52	59 52
-	-	-
-	-	-
7 000 00	6 796 44	(203 56)
750 00	292 01	(457 99)
-	-	-
2 000 00	5 470 01	3 470 01
46 315 00	54 797 57	8 482 57

[illegible]

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Culture and recreation:			
Library	-	-	-
Other:			
Contingency	4 000 00	-	(4 000 00)
Capital outlay	<u>2 000 00</u>	<u>1 986 84</u>	<u>(13 16)</u>
Total expenditures	<u>169 718 00</u>	<u>152 413 62</u>	<u>(17 304 38)</u>
Excess (deficiency) of revenues over expenditures	9 339 00	27 170 13	17 831 13
Fund balances, April 1	<u>-</u>	<u>328 760 37</u>	<u>328 760 37</u>
Fund Balances, March 31	<u>9 339 00</u>	<u>355 930 50</u>	<u>346 591 50</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
55 810 00	50 409 52	(5 400 48)
-	-	-
<u>35 455 00</u>	<u>1 580 83</u>	<u>(33 874 17)</u>
<u>91 265 00</u>	<u>51 990 35</u>	<u>(39 274 65)</u>
(44 950 00)	2 807 22	47 757 22
<u>45 000 00</u>	<u>48 928 48</u>	<u>3 928 48</u>
<u>50 00</u>	<u>51 735 70</u>	<u>51 685 70</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE – CEMETERY PERPETUAL CARE FUND  
Year Ended March 31, 2004

EXHIBIT D

Operating revenues	<u>56 22</u>
Operating expenses:	
Cemetery maintenance	<u>56 22</u>
Net income (loss)	-
Fund balance, April 1	<u>470 00</u>
Fund Balance, March 31	<u><u>470 00</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINED STATEMENT OF CASH FLOWS –  
CEMETERY PERPETUAL CARE FUND  
Year Ended March 31, 2004

EXHIBIT E

Cash flows from operating activities:

Cash received from customers	56 22
Cash payments to suppliers for goods and services	<u>(56 22)</u>
Net cash provided (used) for operating activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, April 1	<u>470 00</u>
Cash and Cash Equivalents, March 31	<u><u>470 00</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	<u>-</u>
Net Cash Provided (Used) for Operating Activities	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tekonsha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others. The Cemetery Perpetual Care Fund is reserved for cemetery maintenance.

Account Group

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.8854 mills and the taxable value was \$34,434,605.00.



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation or sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 - Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>401 247 59</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	202 768 65
Uninsured and Uncollateralized	<u>199 934 27</u>
Total Deposits	<u>402 702 92</u>

The Township of Tekonsha did not have any investments as of March 31, 2004.

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	11 933 00	-	-	11 933 00
Buildings	101 371 48	-	-	101 371 48
Machinery and equipment	302 687 36	3 567 67	-	306 255 03
Office furniture	<u>54 085 78</u>	<u>-</u>	<u>-</u>	<u>54 085 78</u>
Totals	<u>470 077 62</u>	<u>3 567 67</u>	<u>-</u>	<u>473 645 29</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**Note 4 – Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 7 – Building Permits**

For the fiscal year ended March 31, 2004, the Township of Tekonsha had building permit revenue of \$1,459.00 and expense of \$504.00.

**Note 8 – Budget Variances**

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township for the General Fund was adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
<u>Fund/Activity:</u>			
General Fund:			
Township Board	23 839 00	24 187 92	348 92
Cemetery	17 400 00	20 210 86	2 810 86
Planning and zoning	3 740 00	5 246 24	1 506 24
Protective inspection	-	504 00	504 00
Drains at large	1 300 00	2 849 37	1 549 37

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT F  
Page 1

Township Board:	
Salaries	1 806 82
Supplies	2 512 83
Audit and legal	5 753 33
Printing and publishing	1 711 59
Payroll taxes	570 91
Insurance	8 223 00
Memberships and dues	639 74
Miscellaneous	2 969 70
	<u>24 187 92</u>
Supervisor:	
Salary	5 600 04
Miscellaneous	502 84
	<u>6 102 88</u>
Elections	<u>262 96</u>
Assessor:	
Wages	11 870 04
Miscellaneous	1 210 00
	<u>13 080 04</u>
Clerk:	
Salary	8 658 69
Miscellaneous	1 081 21
	<u>9 739 90</u>
Board of Review:	
Miscellaneous	<u>333 97</u>
Treasurer:	
Salary	10 400 04
Miscellaneous	197 80
	<u>10 597 84</u>
Building and grounds:	
Operating	<u>4 881 47</u>
Cemetery:	
Salaries	600 00
Contracted services	17 905 40
Miscellaneous	1 705 46
	<u>20 210 86</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT F  
Page 2

Tax roll:	
Supplies	722 35
Miscellaneous	564 00
	<u>1 286 35</u>
Fire protection:	
Contracted services	<u>50 364 27</u>
Planning and zoning	<u>5 246 24</u>
Protective inspection	<u>504 00</u>
Drains at large	<u>2 849 37</u>
Street lighting:	
Utilities	<u>778 71</u>
Capital outlay	<u>1 986 84</u>
Total Expenditures	<u><u>152 413 62</u></u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

LIBRARY FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended March 31, 2004

EXHIBIT G

Revenues:	
Property taxes	40 614 59
State revenue sharing	1 624 52
Penal fines	6 796 44
Interest	292 01
Miscellaneous	<u>5 470 01</u>
Total revenues	<u>54 797 57</u>
Expenditures:	
Culture and recreation:	
Library:	
Salaries	13 226 21
Books	7 817 06
Payroll taxes	765 19
Rent	21 497 50
Repairs and maintenance	592 32
Supplies	921 56
Dues	812 26
Utilities	3 768 86
Miscellaneous	1 008 56
Capital outlay	<u>1 580 83</u>
Total expenditures	<u>51 990 35</u>
Excess of revenues over expenditures	2 807 22
Fund balance, April 1	<u>48 928 48</u>
Fund Balance, March 31	<u><u>51 735 70</u></u>



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINING BALANCE SHEET – ALL TRUST AND AGENCY FUNDS    EXHIBIT H  
March 31, 2004

	<u>Current Tax Collection</u>	<u>Agency</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	-	3 475 07	470 00	3 945 07
Total Assets	-	3 475 07	470 00	3 945 07
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other units	-	3 475 07	-	3 475 07
Total liabilities	-	3 475 07	-	3 475 07
Fund balances:				
Reserved for cemetery maintenance	-	-	470 00	470 00
Total fund balances	-	-	470 00	470 00
Total Liabilities and Fund Balances	-	3 475 07	470 00	3 945 07

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS  
Year Ended March 31, 2004

EXHIBIT I

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 104 519 40</u>	<u>1 104 519 40</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	104 547 69	104 547 69	-
Due to other units	<u>-</u>	<u>999 971 71</u>	<u>999 971 71</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 104 519 40</u>	<u>1 104 519 40</u>	<u>-</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>19 613 69</u>	<u>16 138 62</u>	<u>3 475 07</u>
<u>Liabilities</u>				
Due to other funds	-	1 530 75	1 530 75	-
Due to other units	<u>-</u>	<u>18 082 94</u>	<u>14 607 87</u>	<u>3 475 07</u>
Total Liabilities	<u>-</u>	<u>19 613 69</u>	<u>16 138 62</u>	<u>3 475 07</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 124 133 09</u>	<u>1 120 658 02</u>	<u>3 475 07</u>
<u>Liabilities</u>				
Due to other funds	-	106 078 44	106 078 44	-
Due to other units	<u>-</u>	<u>1 018 054 65</u>	<u>1 014 579 58</u>	<u>3 475 07</u>
Total Liabilities	<u>-</u>	<u>1 124 133 09</u>	<u>1 120 658 02</u>	<u>3 475 07</u>

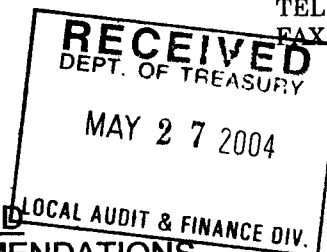
# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494



## **AUDIT COMMUNICATION AND** **REPORT OF COMMENTS AND RECOMMENDATIONS**

April 23, 2004

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the financial statements of the Township of Tekonsha, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Tekonsha will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., A.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants